

24 February 2005

RAMSAY HEALTH CARE HALF YEAR CORE NET PROFIT RISES 17%

Financial Highlights

- Core net profit after tax rises 17% to \$24.9 million
- Net profit after tax up 18% to \$22.3 million
- Core EPS rises 16% to 19.2 cents
- Revenue increases 46% to \$544.6 million
- EBITA up 28% to \$48.5 million
- EBITA margin excluding Benchmark 10.2%
- EBITA margin including Benchmark 8.9%
- Interim Dividend 8.5 cents, fully franked, up 13%

Overview

Private hospital operator Ramsay Health Care Limited today announced a 17% rise in core net profit (before amortisation of goodwill) to a record \$24.9 million for the six months to 31 December 2004, up from \$21.3 million a year ago.

After amortisation of goodwill, net profit after tax was up 18% to \$22.3 million from \$18.8 million in the corresponding period last year.

The financial year 2005 first half results include a full six-month contribution from the 10 Benchmark hospitals, effective from July 2004.

Total revenue rose 46% to \$544.6 million for the half year. Excluding Benchmark, revenue rose 13.4%. Group EBITA rose 28% to \$48.5 million, while excluding Benchmark, EBITA was 13.7% higher.

Directors have declared a fully franked interim dividend of 8.5 cents per share, up from 7.5 cents in the previous corresponding half-year, an increase of 13%.

Excluding the Benchmark contribution, Ramsay Health Care core net profit rose 14% to \$24.4million in the half year.

Ramsay Health Care Managing Director Pat Grier said the six months result was strong and ahead of budget.

Summary of Financial Performance

	Half year ended 31 December 2004		
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	2004	2003	%
Operating Revenue	544,608	374,122	46
EBITDA	66,470	51,717	29
EBITA	48,544	37,936	28
Core Net Profit After Tax ⁽¹⁾	24,883	21,310	17
Net Profit After Tax	22,296	18,824	18
EPS (cents per share)	17.2¢	14.6¢	17
Core EPS (cents per share) ⁽¹⁾	19.2¢	16.6¢	16
Interim dividend (cents per share) fully franked	8.5¢	7.5¢	13

⁽¹⁾ Core Net Profit and Core Earnings per Share are before amortisation of goodwill and non-recurring items

“During the half year, the efficient management of our hospitals and the benefits of our expansion and enhancement program contributed to a strong profit rise. Even before accounting for the contribution from Benchmark, profit growth was 14%,” Mr Grier said.

“Organic growth of 6.5% underlines the quality of our hospital portfolio and our micro-management to maximize efficiencies. In addition, our overall profit increase confirms the success of our strategy to pursue growth both through investing in our own facilities, as well as through acquisitions.”

“We are on track to exceed our forecast to achieve core net profit growth of at least 10% before amortization of goodwill and non-recurring charges for the 2005 financial year.

“Benchmark hospitals are trading in line with expectations to be slightly earnings per share accretive (pre-amortisation of goodwill) in the full year. We expect profit contribution from these hospitals to significantly improve in the 2006 financial year,” Mr Grier said.

Ramsay Health Care announced earlier this month that it had agreed to acquire five aged care facilities in Victoria from Ellis Residential Care.

In addition, the company settled this month on the acquisition of two stand-alone hospitals – Murray Valley (30 beds) in Wodonga and Rockingham (45 beds) in Perth.

These recent acquisitions involve a total outlay of \$57 million.

Including these acquisitions, Ramsay Health Care will operate 37 hospital facilities and six aged care facilities with 474 places.

Equity Raising

During the half year, Ramsay Health Care further strengthened its balance sheet by raising a net \$80.3 million of additional equity in a placement to institutions and founder, major shareholder and Chairman Paul Ramsay, and a share purchase plan to all shareholders. Of the \$80.3 million, \$39.2 million was received in December 2004. The balance of the funds will be received in the March quarter 2005.

The raising was undertaken to provide additional flexibility and financial capacity to pursue acquisitions and greenfield developments in aged care, and further investment in enhancements and additional capacity at existing hospital facilities.

The funds raised from this equity issue have been initially applied to the reduction of debt.

Capacity expansion and enhancement

Investing in existing facilities is a key part of Ramsay Health Care's growth strategy.

The first phase of the capacity expansion has been successfully completed at Lake Macquarie, Greenslopes and Hollywood.

Expectations for returns on these investments are already being met and Ramsay Health Care believes there are opportunities for further investment in enhancements and additional capacity.

As stated previously, North Shore Private in Sydney is operating at high occupancy and there is an opportunity to add a significant number of new beds to the existing facility. Greenslopes and Hollywood will continue to be transitioned into providing more services to privately insured patients with both capacity expansion and enhancements proposed.

Aged Care

During the half year, Ramsay Health Care advanced its development program to expand into aged care through greenfields development. Ramsay Health Care now has 206 licensed aged care places at Coffs Harbour and Brisbane as part of its plan to develop between 500 and 600 aged care places over the next couple of years.

Ramsay continues to apply for new licenses in order to develop facilities that are efficient and flexible and are suitable for financing through accommodation bonds.

Settlement on the acquisition of five aged care facilities from Ellis Residential Care is expected in early April, subject to necessary approvals from the Department of Health and Ageing. The acquisition includes 406 aged care places, which are a mix of high care, low care and extra service places, and land adjoining a number of the facilities.

As most of the facilities are new or recently refurbished, and as bonds and extra services come onstream, there is expected to be a significant ramp-up in profit over the next few years.

The adjoining land offers the potential to develop integrated aged care campuses, including independent living accommodation.

In addition, Ramsay Health Care has been granted a first and last right of refusal on the remaining five aged care facilities in the Ellis portfolio.

Outlook

Barring any unforeseen circumstances, Ramsay Health Care expects to match the first half result in the second half, despite seasonality. A similar result in the second half would comfortably exceed the company's initial expectations for the 2005 financial year.

In addition, in the second half, proceeds of the equity issue will be used to reduce debt, providing interest savings. On an EPS basis, the effect will be essentially neutral.

The expected profit increase is based on continuing solid organic growth, further benefits from the expansion program, further integration of Benchmark hospitals and contributions from recent acquisitions.

With its strong balance sheet and cash flow, Ramsay Health Care continues to investigate and evaluate acquisitions in both the hospital and aged care sectors.

Contacts:

Mr Pat Grier
Managing Director
Ramsay Health Care
(02) 9433 3444

Paula Hannaford
Director
Gavin Anderson & Company
(02) 9552 4499 or 0413 940 180